



HMI SEMINAR: Facilities Market Concentration and Remedies

Dr Jenni Noble
9th April 2019

A Member of AfroCentric Group

medscheme 

Agenda

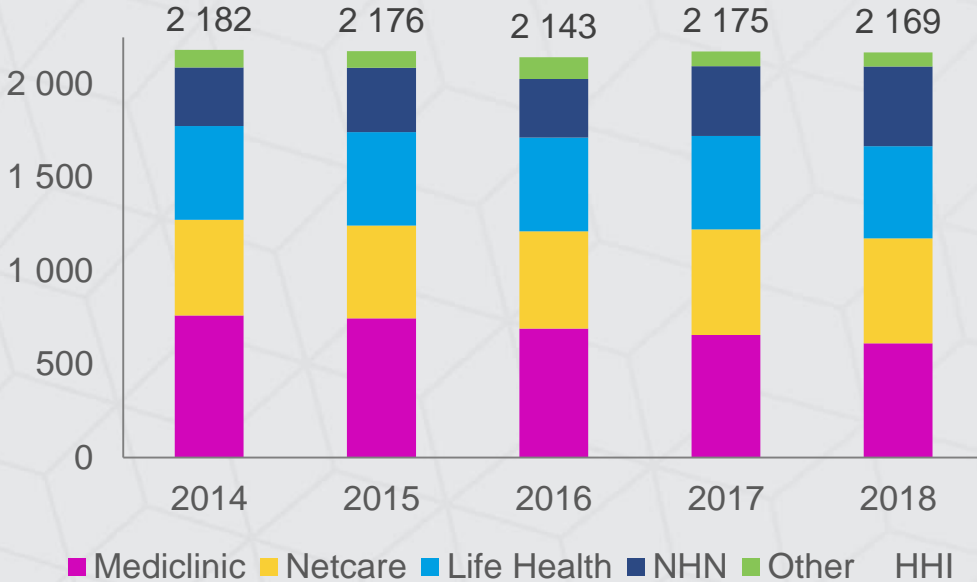
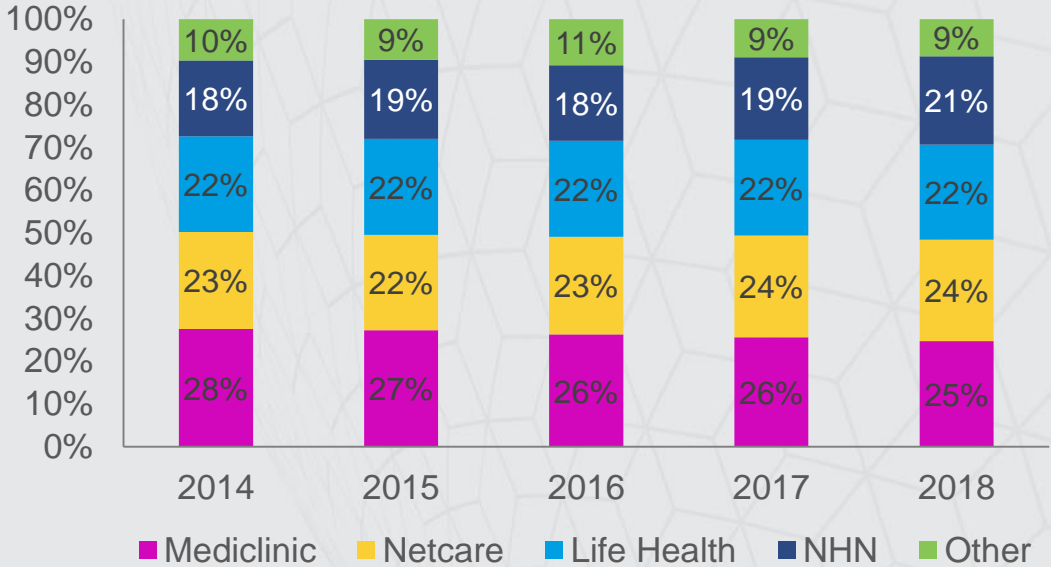
- Market concentration
- Supplier induced demand
- Licensing recommendations
- Hospital networks
- Annual negotiations
- Recommendations

Market concentration and market share

Medscheme experience from 2014: acute and day facilities

Market Share by Medscheme admissions
2014-2018

Medscheme admissions-based HHI
2014-2018

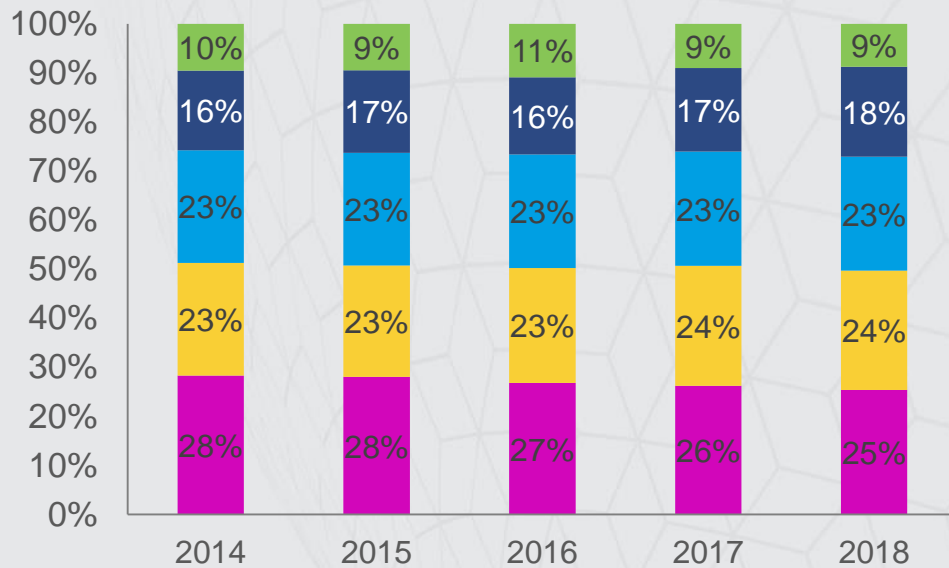


3% increase in NHN’s market share; HHI moderately concentrated

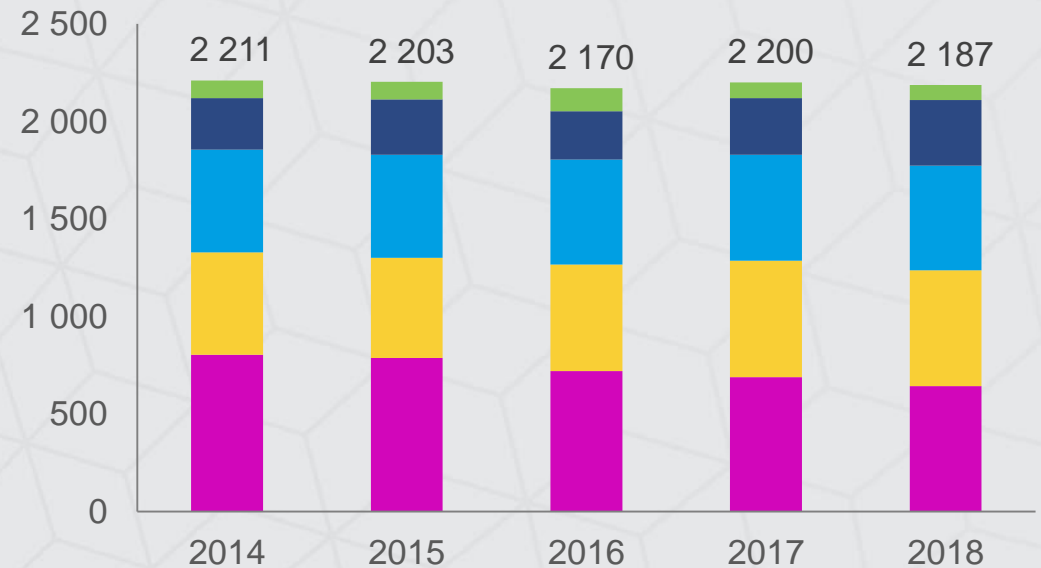
Market concentration and market share

Medscheme experience from 2014: acute facilities only

Market Share by Medscheme admissions
2014-2018



Medscheme admissions-based HHI
2014-2018



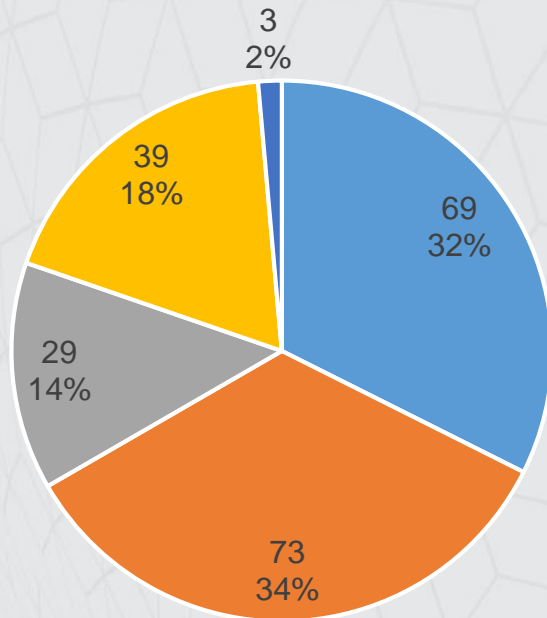
■ Mediclinic ■ Netcare ■ Life Health ■ NHN ■ Other

■ Mediclinic ■ Netcare ■ Life Health ■ NHN ■ Other HHI

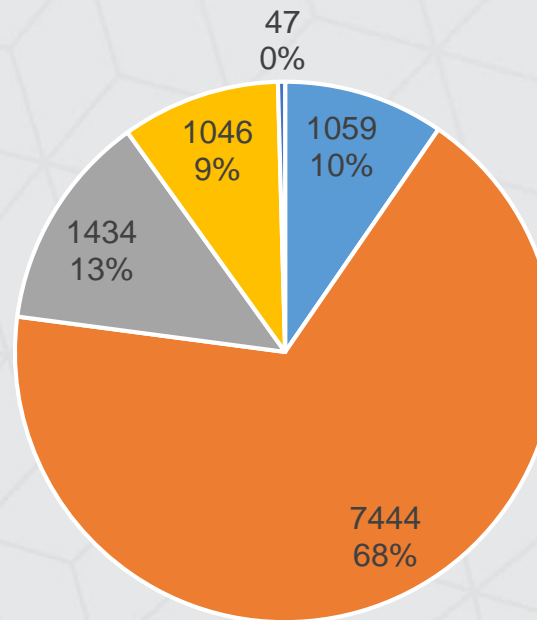
2% increase in NHN's market share; HHI remains moderately concentrated

Current membership* (March 2019)

Number of facilities



Number of beds



- Day Clinic
- Hospital
- Psychiatric
- Sub Acute
- Rehabilitation

- Acute: 68% of NHN beds
- Day clinic: 10% of NHN beds
- Sub-acute: 9% of NHN beds
- Ophthalmology: 3% of NHN beds

*Source: NHN monthly membership data

Market concentration

Consideration of future growth, mergers and acquisitions

- Notified of approx. 2000 new acute and day beds from 2019
 - 85% acute beds
 - 9% from listed groups – approx. 60 acute beds and 120 day clinic beds
- Intended M&A's of acute facilities
- NHN exemption conditions – may impact group

In addition to the above conditions, the Commission has imposed another condition requiring NHN members who do not meet the legislative criteria to be classified as either small businesses (“SMME”) or firms owned by historically disadvantaged persons (“HDP”) to transform their ownership structures within a period of 24 months in order to meet the legislative criteria as stipulated for firms owned or controlled by historically disadvantaged persons.

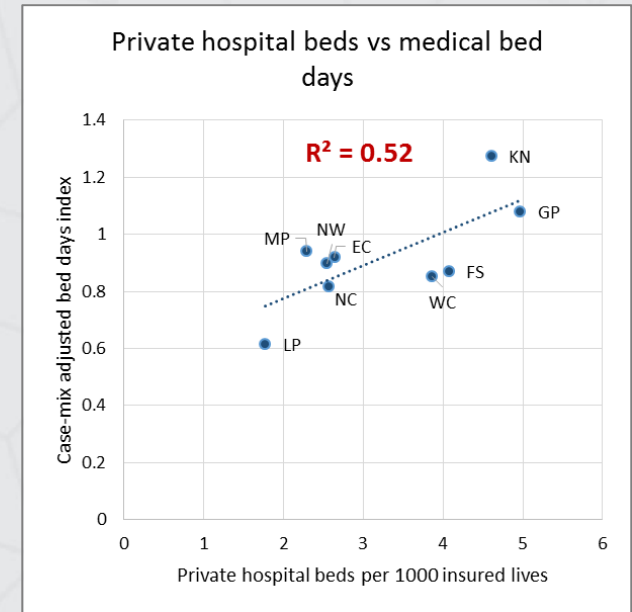
Competition Commission Media Statement ‘National Hospital Network granted conditional exemption’. 8 Nov 2018

Supplier induced demand (SID)

“Hospital beds that are built tend to be used”

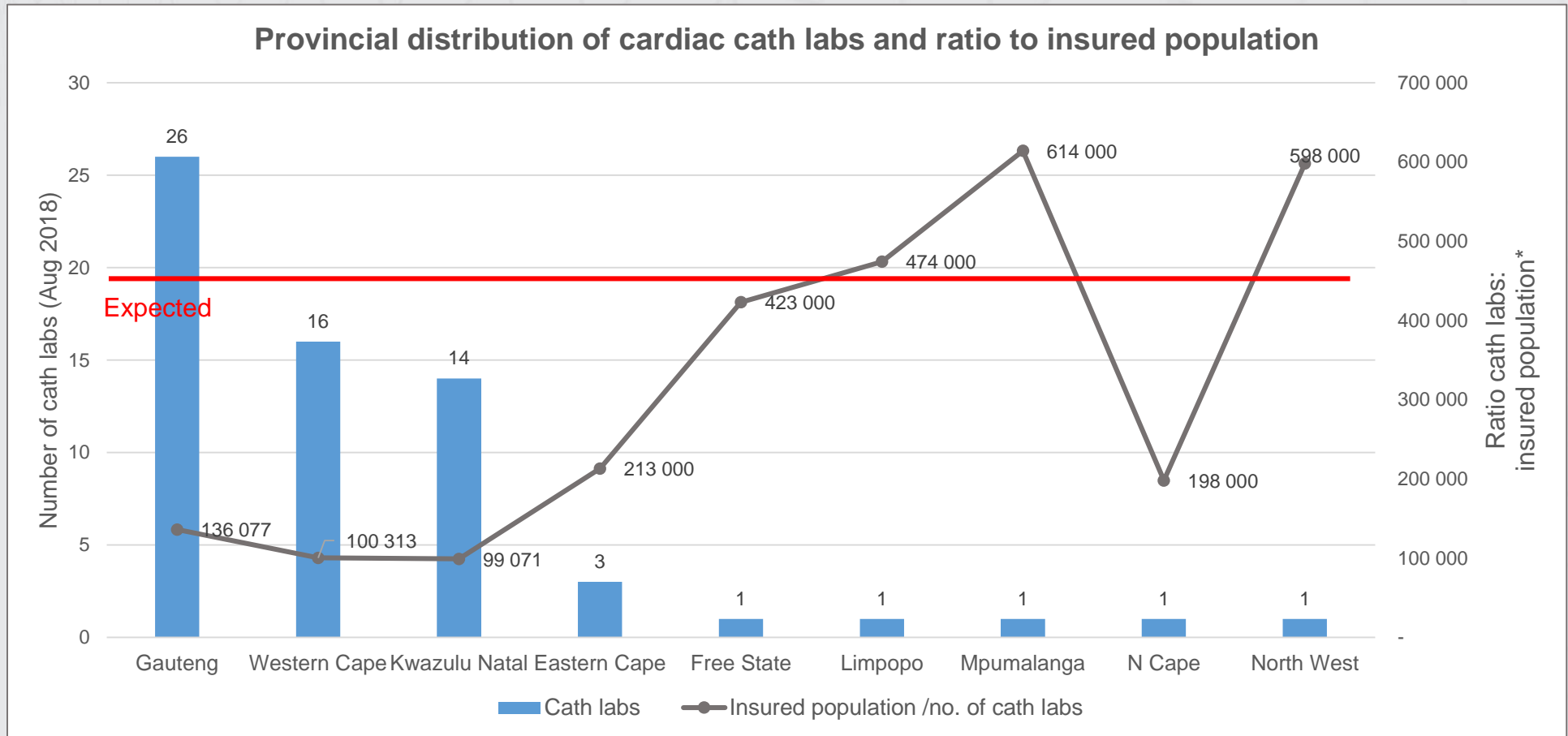
Roemer’s Law

- Some evidence of deconcentration since 2014
- Many new hospital entrants in areas of adequate/oversupply – result is higher regional admission rates
- Preference would have been deconcentration without increasing beds in these areas
- Industry has changed – greater issue is oversupply of beds per risk adjusted



Licensing

Fragmented licensing regime: e.g. cardiac cath labs



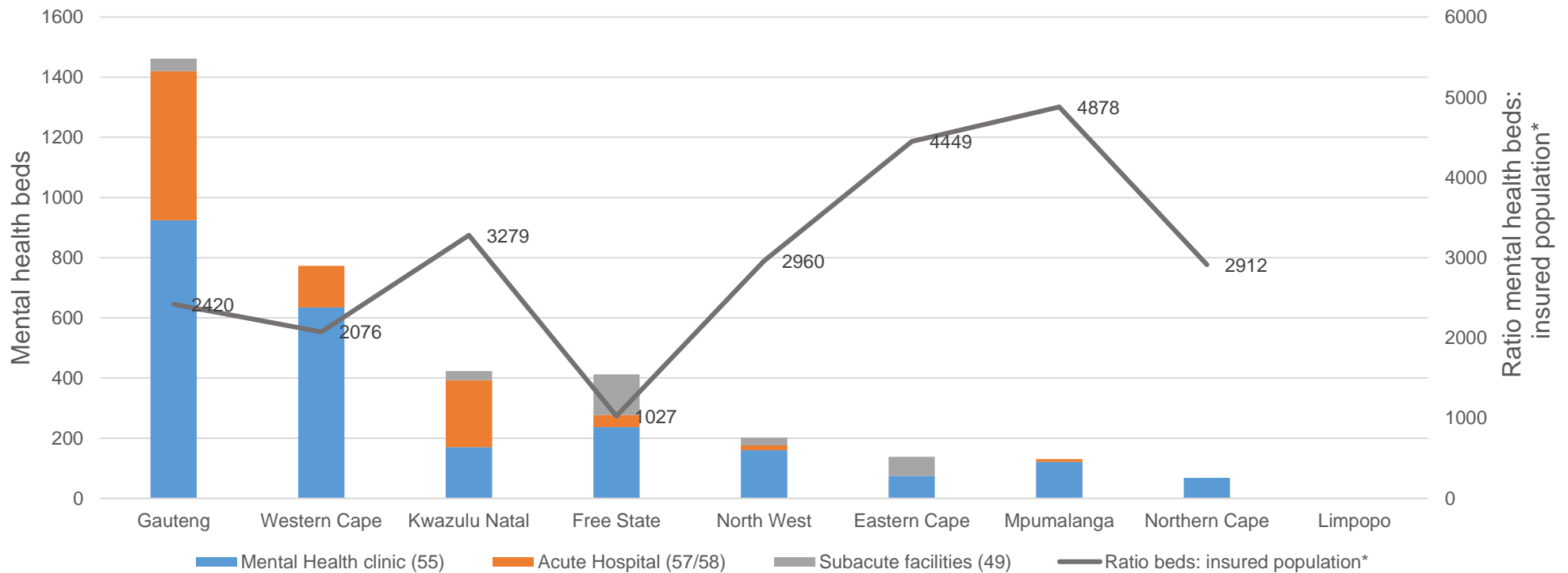
*Insured population StatsSA General Household Survey 2017

Recommendation for catheterization laboratories is 1 laboratory per 450 000 to 600 000 population (Heart 2003;89:827-829).

Licensing issues

Mental health beds

Provincial distribution of mental health beds and insured population ratio



*Insured population StatsSA General Household Survey 2017

- System is not considering population need in allocating licenses

Licensing and practice codes

- Support an expedited centralized national licensing framework
- Support proposed data submission and reporting framework with reports in public domain
- Suggest identification of corporate affiliation in practice code system
- Consider cost impact of system development

Hospital networks

Network participation not determined purely on price

Network discounts

- Typically proposed at national level
- Quantum depends on potential for increased volumes:
 - Size of beneficiary pool
 - Degree of exclusivity & potential volume shift

Impact of local market concentration

- Discounts may be differentiated based on concentrated markets
- No discounts for 'filler' status
- Hospitals in solo/concentrated markets may be added to networks to ensure access, but mostly do not offer discounts

Annual negotiations

Impact of national and regional concentration

- Most scheme options are non-network options
- Tariffs negotiated nationally - impacted by national concentration
- Negotiation power weaker where open access and national member distribution
- Network discounts impacted by regional concentration
- ARMs and information sharing – limited traction on risk transfer

Changes in negotiation power

- NHN growth has created additional competition - an alternative network
- CMS allowed EDOs - trustees more willing to establish networks
- Trustees supportive of tougher negotiations - improved mandates

Recommendations

- Review concentration analysis and recommendations based on current and projected expansions, specialties, growth, mergers and acquisitions - Need specific recommendations
- Licensing moratoriums may need to apply to all hospital groups in identified areas
- Expedite implementation of licensing framework
- Include timelines associated with full suite of recommendations
- Synergy with other legislative and regulatory demands.



ACT WITH
INTEGRITY
AND
TRUST



WALK THE
EXTRA MILE



CULTIVATE
UNIQUENESS



THRIVE
TOGETHER



MAKE A
POSITIVE
DIFFERENCE

OUR VALUES

THANK YOU

A Member of AfroCentric Group

medscheme 

